



Activity Review

North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh, NC 27605 • (919) 733-4222 • No. 3-2003

Preventing Your Firm's 'Enron'

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At the time of its bankruptcy, Enron was the largest in U.S. history, now exceeded by WorldCom. It represented a "shock" to the system. How could a company worth \$80 billion go bankrupt in less than a year? Answer: Because it lost credibility.

Your personal and firm credibility is the only thing that gives your work value. You can be the most technically competent accountant around, but when people who rely on your work product (called financial statements/tax returns/etc.), don't believe what you say, it has no value.

Thus, we must do everything in our power to maintain our integrity. We will explore a number of our standard practices, which makes it appear to a jury of our peers (called 12 citizens—not accountants) that we are not ethical, nor do we have integrity.

As a result of a string of high-profile frauds undetected by auditors, the SEC has instituted an independent board to oversee the profession.

How did we get into this mess? How did audit work become so price sensitive? How did auditing become such a commodity that firms have resorted to non-attest work, such as consulting, to stay in business?

Answer: Just because the audit has to be done, that doesn't mean anyone thinks it's important or valuable. That is, compliance work does not make you valuable.

When was the last time a client called you up excited that you were coming out to begin the audit? How many clients do you have that would have the audit done if it wasn't required? One or two? What's that tell you about the value your clients put on your audit?

As a result of the "Wal-Martization" of audits, our everyday practices can destroy your firm in just one failed audit. Can anyone say Arthur Andersen?

The problem is that these procedures have become habits, just like driving to work the same way every day, and thus we fail to ask if our procedures are correct or even whether we should be doing them.

Think you're not at risk and don't need to adopt the strategies discussed below? Consider the following scenario:

Your firm does 100 audits, mostly small private companies, plus a few non-profits and a mid-size company or two. Most are required by bank loan covenants or funding agreements for the non-profits.

The economy isn't doing well, and one of your clients gets into financial trouble near the end of the year, but it's not significant enough to materially affect the current year's statements, so you don't detect your client's deteriorating condition with traditional analytic procedures and give a clean opinion.

The bank relies on your work and renews the loan. Six months later the client defaults on the bank loan and you get sued.

Sitting on the stand defending yourself and the firm, the bank's attorney asks, "Mr. Smith, how many audits does your firm do each year?"

You answer, "Just over 100."

"Now Mr. Smith, how many audit failures did your firm have last year?"

"One, and of course that's less than a one percent failure rate."

"So, Mr. Smith, let's explore that line of reasoning. Let's say you put your family on an airline for the flight to Disney World in Orlando. The plane crashes. Your wife and three children are killed, so you sue the airline, not the pilot."

"The CEO gets on the stand and his defense is, 'We had 500 flights that day. Only one crashed. That's only a 0.2 percent failure rate. I don't know what the big deal is?' Now Mr. Smith, would that be okay with you?"

Fraud

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Disciplinary Actions

Johnny Lee Blackwell #14659
Fayetteville, NC 02/24/03

THIS CAUSE, coming before the Board at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to NCGS 150B-41 and 150B-22, the Board and Respondent stipulate the following Findings:

1. Respondent is the holder of North Carolina certificate number 14659 as a Certified Public Accountant.
2. On May 17, 2002, the Board issued an Order to Respondent regarding his failure to obtain a State Quality Review (SQR) prior to the prescribed completion date as required by Board statutes and rules.
3. The Board's Order placed Respondent's certificate on conditional status for one (1) year, and required Respondent to complete and provide verification of the completion of the eight (8) hour accountancy law course provided by the North Carolina Association of CPAs (NCACPA).
4. On September 23, 2002, the Board office received from Respondent a copy of NCACPA's "Attendance Verification & Evaluation Form" for the "Ethics Principles and Professional Ethics" course offered on September 19, 2002. Said form was signed by Respondent and reflected eight (8) hours of "total credit hours claimed."
5. In October of 2002, the Board office was advised by a representative of NCACPA's Education Division that Respondent arrived late for the September 19, 2002, course, and should only receive six (6) hours of CPE credit for said course.
6. Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Order with the Board *ex parte*, whether or not the Board accepts this Order as written.

BASED UPON THE FOREGOING, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes (NCGS) and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondent's failure to comply with the terms of a Board Order constitutes a violation of NCGS 93-12(9)e and 21 NCAC 8N .0203(b)(3).
3. Respondent's representation that he earned eight (8) hours of CPE credit for a course in which he was only entitled to receive six (6) hours of CPE credit constitutes a violation of NCGS 93-12(9)(d) and (e) and 21 NCAC 8G .0409(a), 8N .0201, 8N .0202(a), 8N .0202(b)(4), and 8N .0203(b)(1).

BASED ON THE FOREGOING and in lieu of further proceedings under 21 NCAC Chapter 8C, the Board and Respondent agree to the following Order:

1. Respondent's license shall be suspended for thirty (30) days from the date this Order is approved by the Board.
2. Within one hundred eighty (180) days of the date this Order is approved by the Board, Respondent must again complete and again provide verification of his completion of the Ethics Principles and Professional Responsibilities course as offered by the North Carolina Association of Certified Public Accountants. Said course may not be used to meet Respondent's forty (40) hour reinstatement requirement.
3. If Respondent returns his suspended certificate within fifteen (15) days of the receipt of the approved Consent Order, Respondent can, after at least thirty (30) days, apply to return his certificate to active status by submission and approval of a reinstatement application which includes:
 - a. Application form,
 - b. Payment of the application fee,
 - c. Three (3) moral character affidavits, and

d. Forty (40) hours of CPE in the 12 months preceding the application including an eight (8) hour accountancy law course pursuant to 21 NCAC 8F .0504.

4. If Respondent returns his suspended certificate in excess of fifteen (15) days of the receipt of the approved Consent Order, Respondent can, after thirty (30) days, plus the number of days that his certificate was late in being returned to the Board office, apply to return his certificate to active status by submission and approval of a reinstatement application which includes:

- a. Application form (which includes statements regarding use of title during suspension),
- b. Payment of the application fee,
- c. Three (3) moral character affidavits (on forms provided by Board),
- d. Forty (40) hours of CPE in the 12 months preceding the application including an eight (8) hour accountancy law course pursuant to 21 NCAC 8F .0504.
- e. a Consent Order requiring payment of at least \$100.00 in administrative costs.

Board Meetings

Monday, April 28
Monday, May 19
Monday, June 23
Monday, July 21
Monday, August 25
Monday, September 22
Monday, October 20
Monday, November 24
Friday, December 19

Meetings of the Board are open to the public except when, under State law, some portions of the meetings are closed to the public. Unless otherwise noted, meetings are held at the Board's office in Raleigh.

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Of course it's not okay with you. You don't care about the other 499 flights that didn't crash. They aren't important to you. The only flight that counts is the one that killed your family. Just like the bank doesn't care about the other 99 audits you performed. You don't win 99 to one; you lose zero to one.

There are 35,000 airplane flights every day in the United States. Can you imagine the outrage if 350 crashed? Would that be acceptable?

Avoid Procedures that Can Lead to Your 'Enron'

Now let's explore some of the things that can lead to your 'Enron.'

- **Audit the Business** - Statement on Auditing Standards (SAS) No. 82, "Considering Fraud in a Financial Statement Audit," is a positive affirmative duty to detect fraud.

Most SAS No. 82 audit procedures are outside the books. Yet many accountants still use the same audit program as they did before SAS No. 82 became effective December 15, 1997.

How do you explain that a new standard went into effect five years ago, but your audit program hasn't changed? Just one example of audit procedures "outside the books" that is critical.

[EDITOR'S NOTE: This article was written prior to the issuance of SAS No. 99, "Consideration of Fraud in a Financial Statement Audit." SAS No. 99 was issued in October 2002, superseding SAS No. 82 and is effective for audit periods beginning on or after December 15, 2002.]

Does your client do background checks on employees with access to liquid assets? Why are background checks important? Because the easiest way to prevent someone from stealing the company blind is not to hire them in the first place.

In addition to criminal checks, check credit history and driving records. Employees behind on their bills are more likely to steal. As are people who get many traffic tickets...they are risk-takers.

While we're on the topic, do you perform background checks on your firm's employees, especially new hires?

In a recent survey, 40 percent of 18- to 35-year-olds said they lived above and beyond their means. What makes you think CPA firm employees are immune?

For example, south Florida Alexander Grant partner Jose Gomez spent 4.5 years in prison for his part in the \$350 million ESM Government Securities fraud in the late 1980s.

He lived above and beyond his means and borrowed from ESM's CFO. A year later, ESM needed to hide a \$350 million trading loss suffered by Home State Savings & Loan. Home State was owned by a relative and was ESM's largest customer. So, Mr. Gomez helped set up the unconsolidated affiliate to hide the loss.

- **False Sign-Off of Audit Work** - False sign-off occurs when staff sign-off on work they didn't do.

First: Why would firm personnel say they did work when they didn't?

Answer: Budget pressure and to get a promotion and pay raise by coming in under budget and keeping the client happy.

Second: How does staff know what to falsely sign-off and not be detected?

Answer: Look at last year's workpapers.

Third: Why doesn't workpaper review detect false sign-off?

Answer: Because we trust staff...if they sign off the work is done, we assume they did it.

- **Peer Review** - Peer review is the profession's primary quality control mechanism. Yet it doesn't detect false sign-offs. Why not? Because reviewers don't look at original audit support to determine if the work was actually done.

- **Stop Asking the Client** - When a staff person has a question about an audit step, whom do they sometimes ask? The client, especially if the controller is a former auditor. Why? Because the staff person doesn't want to look stupid. The staff person has lost her independence when she asks the client how to perform an audit step.

Make a firm-wide rule: no one is allowed to ask client personnel how to perform an audit. Violation is grounds for dismissal.

- **Listen** - When a client's employee is embezzling/stealing/etc., someone in the company usually knows it.

Train staff to listen to the grapevine. If top management is cooking the books, some lower-level employees nearly always try to alert the auditors (e.g., Enron VP Sherron Watkins and former AA employee warned the Andersen audit team the company might implode in an accounting scandal).

- **Trust** - Do you trust the client because they pay your bills? Big mistake. Of course the client is going to pay your bill if it needs your opinion to consummate a significant pending transaction like a bank loan renewal or other financing or acquisition.

- **Consistency** - Doing the same thing is an auditor's worst habit. If the audit is performed so consistently the client knows what you're going to do, you are not independent.

Do something different every year to keep the client off balance...just five percent is enough to make people nervous they might get caught.

- **Surprise** - Don't tell the client what you're planning. For example, a "surprise" cash count isn't a surprise if you've done it for 25 years on the first day of the audit the second week in November.

But the most common mistake that will get you sued is telling the client where you're going to observe inventory.

How much easier can you make it to commit inventory fraud than to tell the client where you're going to check it?

Think about it, there are only two reasons you tell the client which locations you're observing. One is you conspired with the client to cook the books. Your only option is the "stupid" defense. Not a very good strategy.

Non-Binding Interpretive Statement

The following non-binding interpretive statement is issued by the North Carolina State Board of CPA Examiners to clarify the Board's position on the use of "specialist," "specialty," "specialization," "specialize," "expertise," and "expert" in advertising and/or solicitations.

RE: 21 NCAC 8N .0306, "Advertising or Other Forms of Solicitation"

ISSUE

This non-binding interpretive statement is issued by the North Carolina State Board of CPA Examiners pursuant to NCGS 150B-2(8a)(c) to address the use of "specialist," "specialty," "specialization," "specialize," "expertise," and "expert" in advertising and/or solicitations.

Interpretation

21 NCAC 8N .0306 states, "A CPA shall not seek to obtain clients by advertising or using other forms of solicitation in a manner that is deceptive."

A CPA certificate issued by the Board does not make an individual a specialist in accounting, auditing, or taxation. Therefore, a CPA and CPA firm may not use "specialist" in advertising or solicitation.

A CPA and CPA firm may, however, use "specialize," "specialty," or "specialization" in an advertisement or solicitation to indicate a concentration or limitation of practice to a certain area(s).

The word "expertise" may be used when referring to an area of practice if holding a specialty designation. "Expert" may only be used in conjunction with "witness" and then only if recognized as such by a court of law.

If you have questions regarding the above non-binding interpretive statement, please contact the Board's Executive Director, Robert N. Brooks, by telephone at (919) 733-1425 or via e-mail at rnbrooks@bellsouth.net.

Reporting Convictions, Judgments, and Disciplinary Actions

Pursuant to North Carolina General Statute (NCGS) 93-12(9), the Board has established the *Rules of Professional Ethics and Conduct* which govern the ethical conduct of CPAs.

To ensure each CPA's compliance with those rules, all licensees are required to disclose certain information regarding their ethical conduct. This request for information is made pursuant to 21 North Carolina Administrative Code (NCAC) 8N .0208, "Reporting Convictions, Judgments, and Disciplinary Actions."

Pursuant to 21 NCAC 8N .0208, licensees must notify the Board within 30 days of any conviction, or finding of guilt of, or pleading *nolo contendere* to a felony; or any crime of which dishonesty, deceit, fraud, a violation of federal or state law or a violation of the *Rules of Professional Ethics and Conduct* are an essential element.

In addition, a licensee must notify the Board within 30 days of any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration, the basis of which is grounded upon an allegation of gross negligence, dishonesty, fraud, misrepresentation, incompetence, or violation of any federal or state law and which was brought against either the licensee or a North Carolina office of a CPA firm of which the CPA was a managing partner.

The Board's requirement that licensees report any conviction, judgment, or disciplinary action is an integral part of the annual renewal process.

When completing the annual renewal form, a licensee must divulge if he or she has been charged, arrested, convicted, found guilty of, received a prayer for judgment continued, or pleaded *nolo contendere* to any criminal offense (excluding non-criminal traffic infractions) since the filing of his or her last renewal form.

The licensee is also required to indicate if he or she has had an application

for a certificate or license denied, or if a certificate or license has been suspended, canceled, or revoked by any federal or state agency or governing or licensing board since filing his or her last renewal. This includes agencies such as the North Carolina Department of Revenue, the Securities Division of the Office of Secretary of State, the IRS, NASD, SEC, etc.

In addition, each licensee must report if he or she had been investigated, charged, or disciplined or is currently under investigation by a governing or licensing board or by a federal or state agency.

Although the licensee or his or her attorney may feel that the criminal offense has no relevance to the licensee's CPA title or that the licensee did nothing to warrant the disciplinary investigation, all such matters must be reported to the Board.

Finally, a licensee must indicate if he or she has been party to any civil suit, bankruptcy action, administrative proceeding, or binding arbitration, the basis of which is grounded upon an allegation of negligence, dishonesty, fraud, misrepresentation or incompetence.

Again, regardless of the licensee's belief or the belief of his or her attorney that the litigation is inconsequential or frivolous, all such actions must be reported to the Board.

Failure to report a criminal offense, disciplinary action, or civil litigation to the Board within 30 days and on the annual renewal form, may result in disciplinary action by the Board. This disciplinary action may include revocation—either permanently or for a specified period of time—of the licensee's certificate issued by the Board; censure of the licensee; or assessment of a civil penalty.

If you have questions regarding your reporting responsibility, contact Robert N. Brooks, the Board's Executive Director, by telephone at (919) 733-1425 or via e-mail (rnbrooks@bellsouth.net).

Certificate Renewals Mailed

Annual CPA certificate renewal forms were mailed to licensees during the last week of February.

Each renewal package should have included the following items: 1) Personalized CPA certificate renewal form; 2) renewal instruction sheet; 3) CPE information sheet; 4) credit card authorization/payment Slip; and 5) A postage-paid return envelope.

If you received your renewal package but it did not contain the instruction sheet, the CPE information sheet, or the credit card authorization/payment slip, please visit the Board's web site (www.state.nc.us/cpabd) to print these forms and complete your renewal as usual.

If, by April 15, 2003, you have not received your renewal package, please contact Alice G. Steckenrider by telephone at (919) 733-1422 or via e-mail at alicegst@bellsouth.net so a duplicate form can be mailed or faxed to you.

Please do not request a duplicate form before April 15, 2003; staff will forward any renewal forms that are returned to the Board by the US Postal Service.

If you have questions about the renewal process or form, please contact Buck Winslow by telephone at (919) 733-1421 or via e-mail at buckwins@bellsouth.net.

June 30, 2003, is the deadline for certificate renewal.

2003 CPE Sponsor Register Now Available

The 2003 edition of the Board's Continuing Professional Education (CPE) Sponsor Register is now available on the Board's web site (www.state.nc.us/cpabd).

The CPE Sponsor Register is in Portable Document Format (PDF); you must have Adobe Acrobat Reader installed on your computer to view the CPE Sponsor Register.

Licensees who do not have access to the Internet may request a copy of the 2003 CPE Sponsor Register by contacting Martha Traina by telephone at (919) 733-1423.

Certificates Issued

The following applications for certification were approved by the Board at its February 24, 2003, meeting:

Tanya F. Able	Kimberly Ann Hartwell	Victoria S. Pirozzi
J. Elizabeth Adams	Keely Wray Hesmer	Terri Nicole Redd
TracyJo Anderson	Marcia Lynn Hewa	Lynda Merritt Renschen
Vicky Waddell Andrews	Bjarne W. Howatt	Erin Malinda Rich
Pascal Anthony Binetti	Terry R. Huggins	Pamela Anne Rogero
Michael Robert Blevins	David D. Jones	Chad Hammond Rothert
Catherine Kelly Campbell	Jerry Conner Jones, Jr.	Amanda Marie Scott
Lou Friday Cloninger	Brandon Lewis King	Keith Edward Scott
Nicole Leslie Colbert	Mark Edward Kurowski	Melissa Rae Scott
Steven William Curtright	Stephen R. Lillie	Samuel Brian Short
C. Nicole Davenport	Kenneth Elliot Lipner	Cassie Elizabeth Simmons
Keli Michelle Decker	Kimberly Trevithick Lorbacher	David J. Sobczak
Thomas C. Devlin	William Paul Lundy	Randy H. Sofferman
Elizabeth Erin Dorsett	Joseph Adam May	Kiyoko Toda
Thomas Allen Eichelberger	Faith Anne McDougle	Arthur W. Tollefson
Amy Marie Fisher	Patti Whitener McIntire	William Leonard Traurig
Charles Wayne Freeman	Elsie Warren McLamb	Andrea Lynn Travis
Tonya Cherie Frye	Michael William Mercer	Rebecca Byrd Turmel
Janice J. Fudala	Wendy L. Messina	Denise René Wainright
Robert Louis Gomez	Ellen Kay Montgomery	Diane Marie Wehner
Daniel D. Goodson	Brett Jason Nazworth	Abby Cheree White
Delia Frances Grant	Andrew Edward Nolan	Melissa F. Wike
Susan Mary Groover	James A. Oakley	Amy S. Wilson
Kim K. Grzywacz	Bianca Sánchez Palmer	Akira Yamamoto
Christine Keegan Hamrick	Lorrie Gayle Pate	Amber Rae Yount

Don't think it can happen to you? Ever heard of PharMor? The auditors missed a \$500 million inventory fraud because they told the client which four stores out of 325 they were going to observe. The firm settled out of court.

- **Prepared by Client** - We are very good at auditing what's on the schedule. But we're terrible at auditing what should be there but isn't.

If the client prepares the schedules, it's unlikely a staff person will realize the schedule is incomplete, especially if it continues the previous year's schedule. It's tough to say you audited the books when the client did your job for you. So, no PBCs (Prepared by Client) allowed.

- **Demand an Answer** - Suppose a staff person comes across something unusual or that just doesn't smell right. He asks the controller, "What's this?"

The controller can't tell the truth (a small amount of book-cooking). So the controller simply stares at the staff person.

What does the staffer do? Gives the controller the answer he wants to hear.

Why? Because in our culture, we can't stand silence. And the staffer can show the controller how smart he is by figuring out what happened. So teach staff to stop giving the client the answer they want to hear.

- **Understand the Client's Business** - So you think you know your favorite client's business? Then write down the top three reasons your client's customers buy from your client instead of a competitor.

If you can't name the three reasons, you don't understand the client's business and you're auditing in a vacuum. Only if you understand the client's business can you fill in the blanks of what's *not* there.

For example, in the ZZZZ Best Carpet Cleaning fraud, the auditors accepted the client's representation that one insurance job would require 300,000 square feet of carpet to restore the top four floors of the Capitol Bank building in Sacramento.

The plaintiff's attorney showed 300,000 square feet would have carpeted a sixty to eighty-story building. The numbers multiplied out, so they must be okay? Wrong.

- **Risks** - Paragraph 26 of SAS No. 82 says, "The risk of fraud is **always** (emphasis added) present to some degree."

So don't design the audit program or begin the fieldwork until you read the AICPA's current year's audit risk alert for your client's industry.

- **Unreasonable Compensation** - The CEO of ZZZZ Best Carpet Cleaning paid employees more than they could ever earn anywhere else and never let them forget it.

Little company, BIG fraud. California Micro Devices demoted CFO Steven Henke to Treasurer, but gave him a pay raise when auditors found significant cutoff problems.

Make sure you understand the behavior the compensation system drives. If a significant portion (30 percent or more) of an employee's pay is incentive-based, make certain there are proper controls over the measurement system that drives the pay calculation. It's not just how much, but why is the pay that much.

- **Attention** - Be aware of someone who can't stand not being the center of attention. This is way beyond liking to be the center of attention. Barry Minkow, CEO of ZZZZ Best, started the company so he could get a date in high school.

- **The Hockey Stick** - Every plaintiff's attorney knows about the "hockey stick" data pattern. It occurs when business people are desperate to "make the numbers."

The hockey stick pattern is a graph of "normal" sales versus "current year sales" (the variance often looks like a hockey stick).

It is the graph the attorney will show the jury, with a comment such as, "Even a blind man can see it makes no sense."

Do you know the sales pattern for each of your clients, so you can recognize when it doesn't look right?

- **Qualify Clients** - Have you ever asked yourself why clients want you to do the work, when you don't have a client in this particular industry?

Has it ever occurred to you that the client hires your firm because you are the easiest one to fool? How will that sound on the witness stand?

Especially if you had the low bid for the work and so maybe minimized the hours so you wouldn't lose your shirt on the first year's work.

- **Ethics** - Hold up your hand if you think you're an ethical accountant.

Do you prepare or review your clients' tax returns? Do you have any clients that treat their companies like a piggy bank? You do? Now there's a surprise.

So, why do you overlook the personal expenses on the company return? Because they are small, insignificant? Even though the deductions are insignificant, they are still illegal.

If deductions are illegal, by definition, they are unethical. By being associated with such returns, you can't say it's not okay when clients cheat on their tax returns.

So what do you say when the attorney asks how big the tax fraud has to be before it's not okay with you?

The attorney has backed you into a corner because there's no right answer that will get you out of trouble. Taking or allowing small illegal deductions is NOT okay.

- **Protect Yourself** - For most of us, independence isn't the complicated stuff in the Enron-type cases. It's the easy stuff discussed above.

Don't make it easy for plaintiffs' attorneys to sue you and win. Don't look stupid.

Stop thinking you're protected just because you put check marks in all the right little boxes. GAAP and GAAS don't have the weight of law. Juries can do anything they want.

Do you really want to take the risk?

Gary D. Zeune is an Ohio CPA and the founder/CEO of "The Pros and The Cons," the only speakers bureau in the United States for white collar criminals.

If you have questions about this article, you may contact Mr. Zeune via e-mail at gzfraud@bigfoot.com or by telephone at (614) 761-8911.

Return of Client Records

Pursuant to 21 NCAC 8N.0305, "Retention of Client Records," a CPA must return client records in his or her possession to the client after a demand for the return of the records is made.

If the client is a partnership, records must be returned upon request to any of the general partners. If the client is a corporation, the records must be returned upon demand to the president. Joint records must be made available upon demand by either party.

Upon demand, client records must be returned immediately unless there are reasonable circumstances that would delay the return of the records. For example, a delay may be required to retrieve a closed file from storage or to extract the CPA's working papers.

If the records cannot be returned immediately upon demand, the CPA must notify the client of the exact date that the records will be returned. Under no circumstances should a CPA refuse to return client records in order to force payment for services provided.

Work papers are generally the property of the CPA and need not be surrendered to the client. However, some work papers may contain data which should be reflected in the client's books and records, but have not been duplicated nor provided to the client. Therefore, the client's records are incomplete without these records.

In such cases, the work papers that contain this information are considered part of the client's records and copies should be given to the client along with any other client records.

Please consult 21 NCAC 8N.0305 for more complete information about CPA work papers and the return of client records.

Comments

If you have comments or questions regarding the *Activity Review*, please contact Lisa R. Hearne, Communications Manager, by telephone at (919) 733-4208 or via e-mail at lhearne@bellsouth.net.

Contact the Board

Main Telephone Number

(919) 733-4222

Fax Number

(919) 733-4209

Toll-Free Application Line

1-800-211-7930

Address

1101 Oberlin Road, Suite 104

PO Box 12827

Raleigh, NC 27605

Web Site

<http://www.state.nc.us/cpabd>

Administrative Services

(919) 733-4223

Communications

(919) 733-4208

Examinations

(919) 733-4224

Licensing

(919) 733-1422 (applications)

Licensing

(919) 733-1423 (firms/SQR/CPE)

Professional Standards

(919) 733-1426

Reclassifications

Reinstatements

02/24/03	William Harold Battey	#12030
02/24/03	Jeffrey Stuart Gilliam	#13137
02/24/03	Arthur Beamguard McCarter	#11668
02/24/03	Dare Wicker O'Connor	#21500

Inactive Status

"Inactive," when used to refer to the status of a person, describes one who has requested inactive status and been approved by the Board and who does not use the title "certified public accountant" nor does he or she allow anyone to refer to him or her as a "certified public accountant" and neither he or she nor anyone else refers to him or her in any representation as described in 21 NCAC 8A .0308(b) [21 NCAC 8A .0301(b)(23)].

01/24/03	Conrad G. Demro, Jr.	Orlando, FL
01/24/03	Donna Register Forrest	Raleigh, NC
01/27/03	Bruce R. Kenner	Irmo, SC
02/04/03	Dan Edward Abernathy	Matthews, NC
02/04/03	Wei (Nicole) C. Shih	Raleigh, NC
02/05/03	Melody Gay Jarrett	Charlotte, NC
02/10/03	Maynard Newton Moseley	Raleigh, NC
02/10/03	John Patrick Barrack	Atlanta, GA
02/12/03	Donna L. Kramer	Cameron, NC
02/12/03	Alex Justin Fritz	Blacksburg, VA
02/18/03	David Benjamin Spencer	West Chester, OH
02/20/03	Luther Edward Barrier	Concord, NC
02/26/03	John Stephen Surratt	Spencer, NC
02/26/03	Mary Elizabeth Singleton	Greenville, NC
02/26/03	Emily Hunter Blake	Boiling Springs, SC



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